

TAB

~~SECRET~~

## CONFIDENTIAL

1. Is CIA's operational, substantive, and administrative planning adequate to meet the requirements of sound program or "performance" budgeting? Indicate major deficiencies.

a. Is such planning sufficiently definitive that it can be utilized for budget purposes?

b. How is such planning so utilized for budget purposes?

c. Is the adequacy of such planning for budget purposes subject to continuing and critical review within CIA?

d. What is the mechanism for correcting deficiencies in the foregoing planning? Is it adequate?

The CIA performance budget was initiated in connection with the preparation of the Congressional Budget for the fiscal year 1954. Considerable time and effort were taken to develop the information on the basis of the Agency's operational, substantive, and administrative planning which could be used to establish workable classifications. This initial effort was directed toward the major over-all missions of the Agency. When these missions, particularly those in political and psychological warfare and in cold war operations, were further divided it was done on short notice and further consideration should be given these sub-classifications in order to make them more meaningful and useable.

a. Some of the long term planning is sufficiently definitive that it can be utilized for budget purposes. On the other hand, in connection with other types of operations, it was not very precise. In some types of activities it is very clear that the Agency will be carrying out those particular activities 5 or 10 years from now without question. Other items which are planned may be amended and emphasis changed several times before the final operating details are developed and the operations are initiated. Thus, the coordination of long term planning into the budget process has to be approached with a view that maximum use will be made of the plans as they are prepared and as they stand at the time the budget is developed. Variations, however, in the execution of the budget have to be expected as a matter of operating necessity. The question is not so much "Is such planning sufficiently definitive that it can be used for budget purposes?" but rather "Whether all planning, regardless of how definitive it is, is used in budget formulation?" The answer to the latter question is that, to the maximum extent possible, such planning is used in the budget formulation process.

~~SECRET~~

CONFIDENTIAL

~~SECRET~~  
CONFIDENTIAL

b. During the early stages of the formulation of the budget there are discussions with the various key officers in the Agency to discuss the general over-all outlook. This is particularly true in the DD/P Area where discussions are held with representatives of the Planning and Program Coordination Staff as well as with the DD/P Admin Group. The first step in planning is (1) To establish long term objectives and (2) To select those objectives which the Agency can reasonably be expected to achieve. These activities are then converted into budgets by determining how much effort will be expended during each year to achieve the specific objective planned and to present proposed budget estimates based upon that planned level of operations. Due to the character of the activities it is not possible to precisely determine at the time the budget is prepared how much effort will be assigned to each of the objectives regardless of the definitiveness of the planning. This is due in part to the fact that local conditions in the countries concerned change from time to time. The success or failure of current operations also affect the possible value of carrying out planned activities.

c. The adequacy of long term planning is subject to continuing and critical review within the Planning and Program Coordination Staff as well as within the Psychological and Paramilitary Staff and FI Staff of the DD/P Area. The preparation of the budget in effect is lifting out the plans as they stand at the time of the preparation of the budget and utilizing them in the formulation of the budget. It is known that there is considerable effort expended on reviewing these plans on a continuing basis. Whether such review is sufficiently critical to obtain the maximum value from them is not known. After plans are converted into the budget for a specific year, a great deal of effort is expended in reviewing the document to assure its soundness. In some areas and in some programs the impression is obtained that the operational review in the DD/P Area was thorough, competent and therefore adequate. In other instances it is felt that the review is cursory, limited and inadequate. On the other hand, these are impressions and they vary from time to time with specific proposals. Basically, it is believed that the reviews are improving and discussions with various operating officers as well as staff officers in the DD/P Area has strengthened this belief. However, due to the security aspects of the Agency it is not possible for any one location within CIA to state categorically whether its review is sufficiently critical to meet adequately the budgetary requirements of the Agency. It is the distinct impression, however, that in most cases the review is fairly complete, fairly critical and that such reviews are improving in all areas.

~~SECRET~~  
CONFIDENTIAL

4. Insofar as the Budget Division is aware there is no specific mechanism for correcting deficiencies in the foregoing planning. The planning basically is a long term evolutionary process and the application of judgement by all people concerned to the plans in the continuing process. The judgement applied is basically the element which determines the adequacy or inadequacy of the planning. The mechanism used by the Budget Division to correct that phase of planning which involves the conversion of long term plans into budget estimates, is to review proposed operations and related explanations as to variations from the level of prior operations. That process is a continuing one which has its impact back into planning units of the various operating offices.

In answering the entire question raised, consideration must be given to the fact that any operations such as program budgeting for an agency the size and complexity as CIA must necessarily be of an evolutionary nature. It must also be remembered that the first attempt to get a complete CIA performance or mission type budget was in connection with the preparation of material for the Congressional hearings on the budget for the fiscal year 1954. In using this material in connection with the presentations made on the 1954 Congressional Budget many weaknesses were obvious. Some of these were corrected in connection with the development of the budget for the fiscal year 1955 while others became more apparent while the 1955 budget was being prepared. More thorough consideration was given to many of the problems with which the Agency was confronted in presenting its operations on a program or mission basis during the preparation of the budget for the fiscal year 1955. These problems primarily involved (1) classification of operations below the major classes initially established; (2) basic weaknesses in distribution of indirect costs. On the other hand, it was obvious that much closer coordination was being developed in the utilization of long term planning particularly in the DD/P Area. These problems were not as important or as critical in the DD/I Area where the basic missions were more firmly established. These general problems are such that they cannot be categorically and easily evaluated and in many instances the inadequacies are recognized in dealing with relatively minor and simple problems where, in the review of the major and over-all problems, they are not obvious nor in many instances recognizable. Effort is being given and will continue to be made to resolve such problems as they appear. It is believed that there is a fairly satisfactory coordination between long range planning and budget formulation and presentation. There will continue to be a number of difficult problems to be resolved in connection with each stage of the budget formulation.

~~SECRET~~

One of the major problems, and one which has not been resolved, is that it is necessary to develop long term plans long before the period for budget formulation. Another problem involves the necessity of developing plans, in the light of the complexity of our operations, as to what the Agency is capable of performing before available funds have been determined. Thus, it is a difficult and as yet unsolved problem of converting planned operations into the magnitudes permitted by the budget. In the area where most funds are used for the employment of personnel and related costs, this problem is relatively simple. In the area where considerable amounts are being used to support outside organizations and mechanisms it is much more difficult. A regularized method of making these conversions has not been adequately developed, particularly in the IE/P Area where very complex adjustments must necessarily be made because of the many separate and distinct operations involving a large number of overseas situations, covert operations and outside organizations are involved.

TAB

2. Is CIA's budget system, including budget planning, adequately reviewed and appraised within CIA in terms of the Agency's responsibilities?

25X1A

The CIA budget procedure (described in Notice [REDACTED] provides for several review stages of the budget material developed and presented by the various components. The stages of review are those in connection with the preliminary estimates submitted by the various components to aid in developing the agency's overall program, the final estimates that are submitted to the Bureau of the Budget for inclusion in the President's Budget to the Congress and the operating budget which is prepared by the components as a request for fund allocation to cover current program operations after the appropriation has been approved.

Each of these stages, in addition to providing the basic review and evaluation of budget data, also provides an opportunity for a critical analysis of the budget system itself. When these reviews are conducted, evidence is found as to whether or not the budget procedures and methods provide a means for developing adequate data. Notes are made concerning the points of weakness and the procedures are revised accordingly.

In addition to the regularly prescribed reviews, questions arise throughout the operating year that have a bearing on the budget process. These points are incorporated in the next issuance of the budget procedure and when necessary amendments are prepared between regular issuances.

TAB



SECRET

Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7

3. Within CIA, is there critical and knowledgeable analysis and review of our budget estimates or are we "blind defenders" of our estimates?

a. Are we obtaining adequate budgeting information from components, field installations, and projects?

b. What are the obstacles to building up background data to provide standards for assessing requests for personnel, etc.?

c. Are budget requests adequately supported by an authoritative base, e.g., NSC-directed programs, NDCID's?

The present budget procedure is based on the critical analysis theory rather than the "blind defenders" approach. The first step in the budget process is the preparation of the preliminary estimates. These estimates are prepared by the various components of the Agency with the understanding that each component will include and justify the programs that it feels absolutely essential. On the basis of these estimates, the Director develops the over-all Agency program and cost. These are used in discussions with the Director of the Bureau of the Budget for the purpose of establishing a budget ceiling for the Agency. Once the ceiling is established, the preliminary estimates then become the basis for hearings in which the head of each component justifies his preliminary estimate. After the hearings are completed, discussions with the Office of the DD/I, and with the Office of the DD/P Admin, recommendations are made by the Comptroller to the Director as to how the Agency budget ceiling may be allocated to achieve the most favorable results. These recommendations for budgetary allocations are the result of the critical analyses made of the preliminary estimates. The next step is the preparation and submission of the final Agency estimates. At this stage, each component prepares a detailed justification of the allocations made by the Director. These justifications are thoroughly reviewed by the Budget Division to determine adequacy of the material and to detect unjustifiable items. If the justifications are found to be wholly inadequate, adjustments in the budget or budgetary allowances are made before the budget is submitted to the Bureau of the Budget for its review and approval.

The third review of a component's program comes at the operating budget stage. The operating budget is prepared prior to the beginning of the fiscal year and, if possible, after the appropriation has been made available and reflects the current program outlook and budgetary requirements of each component. A very critical review is required at the operating budget stage in order to secure complete justification of the operating programs and to form a firm basis on which operating allowances of the appropriation can be made.

When making allotments following the approval of operating allowances, the Budget Division makes every attempt to establish within each component an operating reserve to provide for such program changes as may arise during the year. During the entire period of operations an analysis is made of fund utilization and adjustments are effected as required.

Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7

SECRET

a. The amount of information received on which to base the critical analysis varies by area. At present less information is received concerning the unvouchered activities than the vouchered. This situation is constantly improving and more information is being made available as budgeting is becoming more widely accepted throughout the Agency as a management tool of planning and control. In many instances inadequate information is obtained, based in most instances on the sensitivity of the operation and the application of the "need to know" principle.

b. One of the best means for evaluating budget programs is work measurement. This device is being developed in all areas possible and many of the office submit their budget justifications on a workload basis. However, there are still many activities not subject to workload analysis. In these cases, the Budget Division in collaboration with the components is endeavoring to develop some other standard of measurement.

c. As far as is known, all of the budget requests are for activities that are either specifically directed or implied by directive. For example, the program activities of the Agency are prescribed by the NSC's, NSCID's, etc., without specifically stating what the administrative support should be. However, it is a well known fact that certain housekeeping and support activities must be available to facilitate the carrying out of program activities.

SECRET

TAB

4. After available funds are determined, how are adjustments in the budget made?

a. Who apportions available funds?

b. Who determines what activities are curtailed or eliminated?

The budget request submitted to the Congress is naturally based on early planning. That is, the budget submission covers a program outlook from six to eighteen months away. During the budget adoption process, two things may happen: (1) The Congress may appropriate an amount different from the request, (2) the program outlook plans may change. To facilitate making adjustments in the budget plans, the budget procedure provides the operating budget mechanism explained in the answer to question three.

a. The funds made available to the Agency are not apportioned in the normal use of the term in normal government operations. However, the total funds available for operations are allocated to the various components as indicated in answer three, thus providing a means of control to assure that obligations do not exceed the funds made available.

b. Based on the recommendations by the heads of offices (e.g., first level below major components including area divisions), review and concurrence by the head of the major components and their staffs, and various budget reviews and recommendations, the Director establishes operating limitations in terms of people and money. He establishes over-all operating policies. The head of each component has the authority to adjust many of the activities under his jurisdiction in order to stay within personnel and fund limitations. However, there are many activities that can only be changed through PRC action.

TAB

**SECRET**

Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7

5. What is the allotment procedure for making funds available for obligation? By whom and upon what authority are allotments made?

25X1A The first step in the allotment procedure is the submission and review of the operating budget as previously described. After the allocations have been approved by the Director, allotments are made in accordance with the procedure as outlined in Regulation [REDACTED]. The handling of allotments is the same for the Office of the Director, Office of Training, Office of Personnel, Office of Communications and the DD/A and DD/I areas. Under this procedure, the analysts in the Budget Division review with the budget representative of the Agency components the proposed activities in light of current operations and arrive at an amount to be included in an annual allotment. These are reviewed in many cases with the Executive Office or the head of the major component and the Chief or Assistant Chief of the Budget Division. Allotments are determined in such a manner as to provide an operating reserve for each component. The Chief of the Budget Division approves all original allotments and revisions and notifies the office concerned by means of form No. 32-5 (copy attached).

The procedure for the DD/P area, which is outlined in the following paragraph, is different. The allocation is made available to the DD/P area. The DD/P Admin then breaks down this annual allocation and notifies each staff and area division of its allocation within the total. These figures are furnished the Budget Division and serve as the over-all limitations against which this Office issues allotments during the year. Approvals by the DCI are used as the basis for determining maxima amounts which can be allotted to individual operations within this limitation. Prior to the beginning of each quarter, each Staff and Area Division presents the Budget Division with a request for allotments on a form prescribed for that purpose (copy attached). This request is broken down by individual allotment account both vouchered and unvouchered. When received, these are distributed to the appropriate Budget Analyst who reviews them with the following items in view:

- a. Sufficiency of the office allowance;
- b. Written evidence in the files of approval by proper authority;
- c. Existence of an approved Administrative Plan for subsidy or proprietary projects;
- d. Consistency with past performance, taking into consideration any unusual circumstances which may be justified.

If these tests are met, the Analyst prepares an allotment advice, Form No. 32-5, which is then signed by the Chief, Budget Branch.

25X1A All [REDACTED] projects and station support accounts are allotted individually, whereas FI operational allotments are made in lump sum by countries except subsidy and proprietary and a few large projects requested by the Staffs and Area Divisions to be allotted separately. All [REDACTED] proprietary projects are allotted individually as required by the provisions of 9.4 of the Confidential Funds Regulations. 25X1C

25X1C  
Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7

25X1A

The method of allotting FI operational funds is provided in a memorandum of agreement dated 28 August 1953, signed by [REDACTED] Chief, FI, and E. R. Saunders, Comptroller, copy attached.

Although allotments are generally made on a quarterly basis, interim requests for adjustments are considered from time to time and allotments frequently made as needed.

<b>ADVICE OF ALLOTMENT AUTHORIZATION</b>			ALLOTMENT TITLE	
TO :			ALLOTMENT SYMBOL	
			APPROPRIATION	
FROM: Budget Division			ADVISE NO.	
			FISCAL YEAR	
<input type="checkbox"/> VOUCHERED <input type="checkbox"/> UNVOUCHERED				

	01 PERSONAL SERVICES	02-09 ALL OTHER	00 UNDISTRIBUTED	TOTAL
Previous Total				
Increase				
Current Qtr.				
Subsequent Qtr.				
Decrease				
Current Qtr.				
Subsequent Qtr.				
New Total				

QUARTERLY DISTRIBUTION				
1 Jul - 30 Sep				
1 Oct - 31 Dec				
1 Jan - 31 Mar				
1 Apr - 30 Jun				

**Remarks:**

The allottee is responsible for the administration of this allotment under the provision of CIA Regulation [redacted] an excerpt from this regulation is given on the reverse side.

DATE	SIGNATURE
------	-----------

Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7

25X1A



SECRET

25X1A

CIA AGENCY REGULATION - [REDACTED]

G.

" (1) The Advice of Allotment Authorization issued to an official will constitute his authority for incurring obligations for projects or activities under his operating and administrative jurisdiction.

(2) The responsibility for controlling obligations against an allotment rests with the allottee who will be held responsible for any obligation or expenditure made or authorized. It is incumbent upon all Agency officials to make no commitments involving the payment of appropriated funds until appropriate reservations of funds have been established in advance by the Comptroller. Overdrafts in the allotment accounts resulting from failure to obligate funds in advance may indicate violations of Agency funds control regulations and, if sustained, are subject to penalties of law. (Section 3679 Revised Statutes)

(3) In order to comply with Agency regulations and to avoid overdrafts, it will be the responsibility of each allottee to establish such internal procedures, administrative instructions and limitations of authority within his office as may be necessary to assure that obligations incurred are kept within funds available therefor.

(4) To assist officials in maintaining effective controls over their obligations, the Accounting Section will furnish monthly financial reports that will reflect allotment account balances. Form No. 32-19, "Memorandum Record of Obligation" may be used to maintain a current control of obligations. Agency officials are urged to consult freely with the Accounting Section regarding allotment account available balances and with budget analysts concerning adjustments in total allotments or quarterly allocation thereof."

25X1A

NOTE

In lieu of using Form No. 32-19 as prescribed above in Regulation [REDACTED] the Clandestine Services will use Form No. 59-106 - June 1953, entitled "Allotment Control Record", as prescribed by Clandestine Services Notice No. [REDACTED] dated 30 June 1953.

25X1A

SECRET

25X1A

Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7

Approved For Release 2002/01/29 : CIA-RDP78-05551A000100050004-7